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DOCKET NO. 51812

ISSUES RELATED TO THE STATE §
OF DISASTER FOR THE §
FEBRUARY 2021 WINTER §
WEATHER EVENT §

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PUBLIC UTILITY COMMISSION
OF TEXAS

**TEXPO ENERGY'S SUPPLEMENTAL AND CLARIFYING
COMMENTS REGARDING
THE FEBRUARY 2021 WINTER WEATHER EVENT**

Texpo Power LP d/b/a Texpo Energy ("Texpo") submits these supplemental and clarifying comments relating to the February 2021 Winter Weather Event and responds to comments filed by other participants in this docket. Texpo respectfully requests the Public Utility of Commission of Texas ("Commission") consider its proposals.

For sixteen years, Texpo has successfully operated in the Electric Reliability Council of Texas ("ERCOT") market as a Retail Electric Provider ("REP") under Certificate No. 10126. Never has any market participant witnessed anything like the events occurring over the Winter Weather Event (extending from February 14th to February 19th), and, as the aftermath develops and ripples across all aspects of the Texas economy, new information and ramification become available on a daily basis. Texpo provides these supplemental comments to add to and clarify its comments filed on March 4, 2021, based on newly issued information from ERCOT.

I. ERCOT INVOICES AND DISPUTES

- A. Aside from implementing Lt. Governor Patrick's March 8, 2021 Instructions to ERCOT and the Commission with Regard to Two Substantial and Obvious Errors, ERCOT should immediately freeze or delay (Extend) all further invoices and Uplifts until (a) the unoccupied leadership positions at ERCOT and the Commission are filled; (b) the IMM or an independent auditor calculates and affirms all calculations, invoices, settlements, and resettlements of ERCOT relating to the periods comprising the Weather Event.**

The market needs clarity. Texpo believes the Commission's consideration and adoption of Texpo's proposals would help achieve that clarity. First, in its March 4, 2021 comments, Texpo opposed some of the emergency relief requests of other REPs to the extent they seek to delay or postpone their payment obligations. However, Texpo clarifies in these comments that it does not oppose, and indeed Texpo strongly encourages, ERCOT and the Commission approving such delays, so long as ERCOT also postpones the short-pay adjustments or related uplifts associated

with such delayed payments for the commensurate period. In other words, if a market participant is granted additional time to pay invoices pending a dispute or audit of their ERCOT invoices, such delayed payment should **not** be deemed a “short payment” in the interim, and the rest of the market should not be invoiced by ERCOT to make up for the short-paid amounts. Otherwise, Texpo and other similarly situated market participants will be put into the unenviable position of being a “lender” to its competitors who receive extensions, without any recourse against those companies.

Second, if additional time is granted for market participants to make payments to ERCOT, such invoice due date extensions should be made publicly and transparently in a non-discriminatory manner, with it also being clarified that the remedies in ERCOT Nodal Protocols Section 16.11.6.1.6 and 16.11.6.2 are likewise postponed. Further, as noted in Texpo’s March 4 filing, market participants who receive payment extensions should be required to suspend enrollments of new customers while receiving invoice extension relief. Such suspension of new enrollments will give the market participant an incentive to make payments to ERCOT and resume the normal invoicing cycle as soon as is possible.

Third, ERCOT’s calculations, invoices and resettlements related to the Weather Event involve historically unprecedented amounts of money and should be subject to further review, increased oversight, and additional quality control measures. Never before has the Texas electricity market been without leadership in so many key positions. As it stands, (a) ERCOT has no permanent CEO, (b) ERCOT is missing 6 Board Members, and (c) the Commission is in the unenviable position of needing to act without a full three-person Commission, following the resignation of the Commission’s Chair last week along with another Commissioner’s resignation yesterday on March 8, 2021. In the meantime, ERCOT personnel appear to be moving billions of dollars between market participants based in part on erroneous, premature and un-reviewed (and unaudited) information.

ERCOT Errors in Calculating and Describing Short Falls

For example, on Friday of last week, two of the errors were obvious and made public, and while relatively minor, are merely the tip of the iceberg and show the frequency of the errors. One error entailed ERCOT incorrectly identifying a market participant as having short paid ERCOT, with ERCOT listing the wrong party in a publicly distributed notice communicated to the entire

market.¹ This devastating, disruptive sort of mistake highlights the manual and error-prone tasks that ERCOT is attempting to perform without taking sufficient time for leadership to evaluate the decision or manage sufficient quality control measures before substantive notifications and actions are communicated to the market. Similarly, also on Friday, ERCOT released a short pay notice at 6:00 pm claiming the “Total Amount Short to Market” for “DAM 02/26/2021 – 02/28/2021” was about \$2,000, and then, a short while later, ERCOT issued a second “corrected” notice explaining the amounts at issue are actually \$600,000.² This revised sum is 300 times higher than the total amount of the claimed short pay in the original notice. Such “corrected” figures show the extent to which ERCOT appears to be scrambling to release labor-intensive calculations on a “rush basis,” and which are prone to massive error and few, if any, quality control measures to audit such calculations.

Historically Unprecedented Levels UFE Charges from ERCOT – Review is Needed

More severely, an additional error and level of extreme volatility is now manifesting itself with ERCOT claiming, through recently distributed resettlement invoices, that ERCOT underestimated the load of load-serving-entities in its initial invoices for the Weather Event to the tune of billions of dollars on an aggregate level. Over the past three days, ERCOT has issued settlement statements for the days of the Weather Event claiming, via recalculated levels of UFE (Unaccounted for Energy), that load serving entities’ load had been originally underestimated (erroneously) by enormous amounts far out of proportion to historical levels. Overall, expressed as a percentage, typical UFE levels are below 1% overall (and often negative such as in 2017), according to ERCOT’s latest Annual UFE Report:³

¹ “ERCOT issued a short payment notice related to Settlement Invoices due for payout on March 5, 2021. Market observers may note that the 3/5 short payment notice includes Electranet QSE I LLC. This inclusion of Electranet QSE I LLC as short paying is an error, Electranet told EnergyChoiceMatters.com.” <http://www.energychoicematters.com/stories/20210305y.html>.

² See Email from ERCOT dated March 5, 2020 at 6PM CT entitled “W-D030521-01 Short Payments for Failure to Make CRR Auction Revenue Distribution (CARD) Invoice Payments”, which disclosed a “Total Amount Short to Market” of \$ 2,074.96. A 6:07, ERCOT issued a follow up email conceding its own mistake, entitled “W-C030521-02 Correction - Short Payments for Failure to Make Invoice Payments,” which raised the “Total Amount Short to Market” up to \$613,763.16.

³ ERCOT’s 2019 UFE Analysis, by Randy Roberts, May 2020 WMS Information Session.

Historical Yearly Values

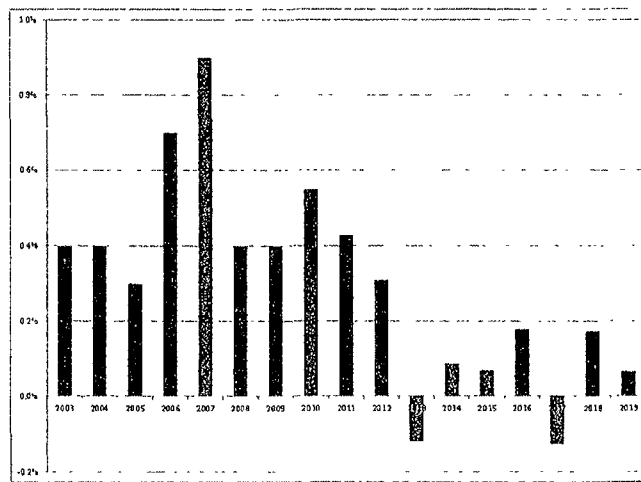
	MWH	COST	% of LOAD	AVG PRICE
2003	1,872,727	\$158,733,428	0.40%	\$41.31
2004	1,344,289	\$102,893,690	0.40%	\$42.00
2005	1,082,561	\$174,154,088	0.30%	\$85.91
2006	2,304,458	\$187,975,534	0.70%	\$51.28
2007	2,914,297	\$206,949,832	0.90%	\$52.77
2008	1,541,086	\$134,892,211	0.40%	\$88.04
2009	1,351,187	\$44,857,873	0.40%	\$30.89
2010	1,759,344	\$85,406,714	0.55%	\$35.74
2011	1,453,256	\$31,866,952	0.43%	\$43.30
2012	1,002,761	\$25,945,816	0.31%	\$26.60
2013	-365,393	-\$17,061,127	-0.12%	\$31.71
2014	298,578	\$2,286,431	0.09%	\$38.02
2015	240,091	\$1,441,929	0.07%	\$24.80
2016	644,293	\$11,037,155	0.18%	\$22.60
2017	-452,775	-\$20,469,613	-0.13%	\$26.53
2018	657,974	\$7,209,457	0.17%	\$32.28
2019	252,851	-\$22,095,272	0.07%	\$38.83

ercot

May 2020 Information Session

Or, shown in “Chart form,” see page 12 of the same ERCOT Report:

Historical UFE as Percent of Load



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May 2020 Information Session

Accordingly, usually UFE does not impose substantial danger of disrupting the entire market. However, for the days at issue during the weather event, ERCOT claims its resettled UFE costs were too low and now claims, as a result of UFE calculations, Texpo’s load during the Weather Event was actually **15% to 20% higher than what ERCOT typically calculated in its original invoices to Texpo**. This latest “swing of the pendulum” is another enormous change. Combined with the skyrocketed balancing energy prices and ancillary services prices, the result of such “swings of the pendulum,” back and forth, are dangerous and destabilizing. To put a 20% change in load (attributable to UFE) in dollar terms, this is like saying an REP (initially stated by

ERCOT to have 1,000 MW of load every hour during the Weather Event) actually had 1,200 MW of load. What's worse, such 200 MW of extra claimed load (per ERCOT's volatile unaudited calculations) multiplied by artificially high balancing energy price further magnifies the results of such errors. For the REP in the above example, when balancing energy hit \$9,000/MWh for 96 hours during the weather event, this extra 200 MW of UFE attributed "usage" accounts for additional charges totaling **\$172,000,000** (96 hours x 200 MW x \$9,000 per MWh) for a single four-day period. This example does not even include the other resulting increased ERCOT (and ancillary service) charges based on load and the inflated balancing energy price, including Day Ahead and Real Time RRS and Load Allocated Reliability Deployment AS Imbalance (LARDASI), with real time RRS and LARDASI **not** being hedge-able. Nor does this example include the impacts of UFE inflating every other Market Participant's real time balancing energy, day ahead, and Ancillary Service charges, which is likely to lead to even more parties short paying ERCOT, and thus more uplifts to parties like Texpo (short pay uplifts are likewise **not** hedge-able). Like the falling of dominos being triggered, swings in ERCOT's UFE calculations are thus having a dangerously compounded effect.

Accordingly, an exception should be made to the usual settlement and resettlement timing and procedures within ERCOT given the latest unusual circumstances and considering the unfilled positions at the Commission and within ERCOT, along with the extent to which the impacts of this ERCOT levy are exacerbated and inflated by the \$9,000 per MWh balancing energy prices and skyrocketed ancillary services prices:

(a) such multi-billion dollar irregular UFE charges should await reliable market information and then be audited by the IMM before being invoiced to the market; and

(b) a forensic analysis should be performed to trace which market participants would be the biggest beneficiaries of this atypical UFE activity.

The UFE calculations thus far coming from ERCOT are so volatile and enormous by any standard that any error could spell life or death for the parties to be charged. Many REP's pass through UFE to their industrial customers, which in many cases, include other governmental entities; this is an enormous issue for the State of Texas collectively. Overall, the usual sort of resettlement process may work when typical amounts of money are at issue. However, when the underlying amounts at issue are in many cases more than 100 times the normal amounts, and when so many leadership positions remain unfilled, ERCOT's normal day-to-day course of conduct is

destabilizing the markets. This situation has been a crisis for weeks, and it now threatens to irreparably disrupt not just the ERCOT market but also the entire Texas economy.

ERCOT Errors and the Extreme Volatility within its Invoices Have Potential to Disrupt State's Economy

Examples of other errors abound, including the additional two multi-billion dollars errors referenced in the attached letter from Lt. Governor Patrick. Given all the obvious errors thus far, certainly one may ask what additional errors will be uncovered and found over the next few days. Texpo is not saying that Texpo believes ERCOT is to blame – Texpo believes any entity would encounter difficulty if operating in a condition in which ERCOT finds itself, short its Board membership and short clarity on who will be leading it on a day-to-day basis CEO, and with enormous market disruptions occurring during Winter Storm Uri. Be that as may, given the billions of dollars that are being thrown around as if scraps being wiped off a table, sanity and reasonableness must be restored to the market pending restoration of stability at the Commission and at ERCOT.

As evidence of the destabilizing nature of the waves rippling from ERCOT's accounting for the Weather Event, REPs such as MidAmerican (a Berkshire Hathaway company) initially stated that they will attempt to pass through potentially miscalculated ERCOT charges (and uplifts) to *fixed price residential customers*, although MidAmerican has now apparently said this will ultimately depend on the PUC's decision regarding the repricing of ancillary services.⁴ Similar panicked actions are inflicting distress upon industrial customers across the State of Texas, including school districts, cities, and governmental customers, many of whom are being asked to bear the brunt of an event they had nothing to do with it. Many cities, political subdivisions, and industrial customers spend more than \$5,000,000 per year in electricity charges; an increase in charges to the tune of 20% equates to \$1,000,000 for just one year. Accordingly, if REPs are forced to pass through these uplifts and erroneous charges, the end-result will be massive budgeting shortfalls for governmental and industrial customers too. All such load related entities must, like ERCOT, manage cash flows too. One cannot expect these end users of electricity to pay an unusually large and premature invoice now, based on a promise that they may "get it back" upon

⁴ See <https://www.yahoo.com/news/even-texans-fixed-electricity-plans-110000938.html> and <http://www.energychoicematters.com/stories/20210308c.html>.

a resettlement in the future once ERCOT leadership and resettlement process stability. Companies go under and “away” if cash flows do not mesh, in the interim.

Many large industrial companies have recently made the news for moving back to Texas to enjoy the State’s accommodating business environment, including Oracle, HP and Tesla. Let’s not drive away such industrial customers with “surprise” “shock and awe” levels of electricity charges from REPs such as MidAmerican (per the earlier quoted news articles) and as Spark Energy also explained in its PUC Filings within this same docket.

Industrial customers and manufacturers will not move to a state where electricity is economically or physically unstable. Making matters worse, various creditors and financiers of all customers and market participants within ERCOT are now in fear. There’s a resulting erosion of liquidity and an old fashioned “bank run” occurring across Texas as news of Brazos’s and Just Energy’s bankruptcies and Rayburn’s enormous “short payments” spread across the news wires. A “Texas-sized helping” of stability and reasonableness is therefore needed immediately in the ERCOT, before more mistakes are made, and before more irreparable harm spreads across not just the Texas electricity markets, but across the entire economy of the State.

In sum, with regard to all additional invoices and resettlements comprising the Weather Period, once ERCOT immediately implements the effects of Lt. Governor’s Letter dated March 8, 2021, the PUC and the State of Texas should immediately freeze (postpone) all further invoices and uplifts pertaining to the Operating Days underlying the Weather Event until (a) the unoccupied leadership positions at ERCOT and the Commission are filled; (b) the IMM or an independent auditor calculates and affirms the calculations of ERCOT relating to the Weather Events; and (c) relax the related collateral calls from ERCOT back to normalized levels. This will be a necessary initial next step towards preventing further fall out from the Weather Events.

B. Griddy was a Problem but Should not Continue to Dominate the Discussion

Meanwhile, it is unfortunately that almost all of the action and recourse has been focused on one single REP, Griddy, that only had 11,000 customers at the time of default and represented roughly or less than one thousandth of the overall ERCOT Market even at its peak of roughly 30,000 customers. Griddy has become a distraction and a mere news headline easily remedied by, in the long term, banning such balancing market index plans to mass market customers in the future, and in the short term, providing relief to the less than one thousandth of the market affected

by Griddy via the Attorney General's suit and the various other civil law suits against Griddy. ***Other market participants (e.g., generators who were unprepared for the Weather Event) would prefer that the Commission and the legislators focus solely on Griddy.*** However, aside from Griddy and a few other unscrupulous actors, the parties at fault here are not the load serving entities or REPs. Retail energy providers provide a critical function in Texas. These entities and their customers should not be forced to bear the brunt of the outcomes of the system wide failures resulting from un-weatherized generation plants, un-weatherized gas pipelines, uninspected generation plants and equipment, and interrupted operating conditions within ERCOT.

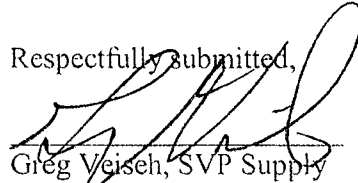
Except as updated and clarified herein, Texpo affirms all other recommendations and comments in its originally submitted comments dated March 4, 2021.

[Texpo's Conclusion and Signature Page is on the Next Page.]

II. CONCLUSION

WHEREFORE, PREMISES CONSIDERED, Texpo urges the Commission to consider its comments and proposed actions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'G. Veisich', is written over a horizontal line.

Greg Veisich, SVP Supply
Texpo Power LP d/b/a Texpo Energy

March 9, 2021



Dan Patrick

Lieutenant Governor of Texas
President of the Senate

FOR IMMEDIATE RELEASE:
Monday, March 8, 2021

CONTACT:
512-463-0715

Lt. Gov. Dan Patrick Calls on ERCOT to Correct \$16 Billion Error During Storm

"This is the right thing to do and it is one step we can take now to begin to fix what went wrong"

AUSTIN - Lt. Gov. Dan Patrick called on the Texas Public Utilities Commission (PUC) and the Electric Reliability Council of Texas (ERCOT) to correct the emergency pricing error that continued after the power shortage had ended and the major threat to the Texas grid had passed.

"We are continuing to investigate the power outages of the February 15 arctic blast which plunged millions of Texans into darkness.

"In response to grid-wide power shortages starting February 15, the PUC ordered ERCOT to institute the \$9,000 per megawatt hour cost cap, which is designed to encourage increased power generation during an extreme shortage. However, according to the Independent Market Monitor (IMM), ERCOT incorrectly extended that pricing intervention after the power shortage had ended. The \$9,000 price should have ended at 11:55 PM on February 17. Instead, it continued throughout the entire day of February 18 into February 19th – 32 hours total – which resulted in an additional \$16 billion in charges.

"The IMM is Potomac Economics, an independent economics and engineering firm that has served as ERCOT's market monitor for the past 16 years. It is their job to identify mistakes and recommend action. We have learned they contacted ERCOT on Thursday, February 18, to inform them their pricing was incorrect, but ERCOT ignored their recommendation.

"The IMM identified a second significant error that also must be corrected immediately. ERCOT failed to cap ancillary service prices at \$9,000 which resulted in prices rising as high as \$24,000 a megawatt hour at intervals during the storm. Pricing should never have exceeded the \$9,000 cap at any time.

“The IMM has recommended that the PUC exercise their authority to direct ERCOT to correct both these pricing errors, but they have declined to do so. ERCOT has a procedure for correcting pricing errors, but has also declined to act so far.

“According to the ERCOT Nodal Protocol Section 6.3 (6) (a), ERCOT has 30 days from the event to correct errors in pricing. Today I am calling on both the PUC and ERCOT to follow the recommendations of the IMM and correct these mistakes. Correcting this \$16 billion error will require an adjustment, but it is the right thing to do. It will ultimately benefit consumers and is one important step we can take now to begin to fix what went wrong in the storm.”

###

From: Notice_CRR <NOTICE_CRR@LISTS.ERCOT.COM> on behalf of ERCOT Client Services
<00000008c435f4d1-dmarc-request@LISTS.ERCOT.COM>
Sent: Friday, March 5, 2021 6:00 PM
To: NOTICE_CRR@LISTS.ERCOT.COM <NOTICE_CRR@LISTS.ERCOT.COM>
Subject: W-D030521-01 Short Payments for Failure to Make CRR Auction Revenue Distribution
(CARD) Invoice Payments

******* EXTERNAL email. Please be cautious and evaluate before you click on
links, open attachments, or provide credentials. *******

NOTICE DATE: March 05, 2021

NOTICE TYPE: W-D030521-01 Settlements

SHORT DESCRIPTION: Short Payments for Failure to Make CRR Auction Revenue
Distribution (CARD) Invoice Payments

INTENDED AUDIENCE: QSE and CRRRAH Settlement Personnel

DAY AFFECTED: CARD Invoices due for payout on March 5, 2021

LONG DESCRIPTION: Qualified Scheduling Entities (QSEs) that are owed monies from ERCOT on CARD Invoices due for payout on March 5, 2021, will notice that the amount of funds transferred is short of the balance payable on the CARD Final Invoices.

ERCOT initiates the short payment procedure when a Market Participant fails to make a complete payment for CARD Invoices. Three Market Participants failed to make full payments for CARD Invoices that were due on March 4, 2021.

In accordance with ERCOT Protocol Section 9.11.3, ERCOT will draw from available Financial Security provided by short-paying Market Participants. ERCOT reduced payments to all Invoice Recipients owed monies on a pro-rata basis of monies owed to each CARD Invoice Recipient, to the extent necessary to clear ERCOT's accounts on the payment date to ensure revenue neutrality for ERCOT.

Please note that beginning next week, ERCOT will issue a weekly Market Notice, on an as-needed basis, identifying the names of short- paying Invoice Recipients that have paid previously identified short pay amounts and providing an updated estimate of the aggregate outstanding short-pay amount.

Invoice Payout Date:	March 5, 2021
Total Amount Short to Market:	\$2,074.96
Total Amount Paid Out to Market:	\$435,275.85

Invoice Recipient	Total Amount of Short Pay
Energy Monger LLC	\$29.92
Entrust Energy INC	\$1,929.18
GB Power LLC	\$115.86

CONTACT: If you have any questions, please contact your ERCOT Account Manager. You may also call the general ERCOT Client Services phone number at (512) 248-3900 or contact ERCOT Client Services via email at ClientServices@ercot.com.

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<00000008c435f4d1-dmarc-request@LISTS.ERCOT.COM>
Sent: Friday, March 5, 2021 6:07 PM
To: NOTICE_CRR@LISTS.ERCOT.COM <NOTICE_CRR@LISTS.ERCOT.COM>
Subject: W-C030521-02 Correction - Short Payments for Failure to Make Invoice Payments

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NOTICE DATE: March 05, 2021

NOTICE TYPE: W-C030521-02 Settlements

SHORT DESCRIPTION: Correction - Short Payments for Failure to Make Invoice Payments

INTENDED AUDIENCE: QSE and CRRRAH Settlement Personnel

DAY AFFECTED: Settlement Invoices due for payout on March 5, 2021

LONG DESCRIPTION: Market Notice W-C030521-01 incorrectly identified Electranet QSE I LLC as a short-paying Invoice Recipient. The table below has been corrected to properly classify this amount as a timing difference.

Invoice Payout Date:		March 5, 2021
Operating Dates:	DAM	02/26/2021 – 02/28/2021
	RTM Initial	02/25/2021
	RTM Resettlement	02/11/2021
	RTM Resettlement	02/12/2021
	RTM Final	01/06/2021
	RTM Trueup	09/03/2020
Total Amount Short to Market:		\$613,763.16
Total Amount Paid Out to Market:		\$20,456,010.99

Invoice Recipient	Total Amount of Short Pay
Energy Monger LLC	\$3,218.59
Entrust Energy INC	\$147,818.01
GB Power LLC	\$6,061.46
Other, attributable to meter read timing	\$456,665.10

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